UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of Schering-Plough Corporation, Upsher-Smith Laboratories, Inc., and American Home Products Corporation.	)	Docket No. 9297

RESPONDENTS' MEMORANDUM IN SUPPORT OF PROPOSED PROTECTIVE ORDER

Respondents' counsel and complaint counsel have agreed on substantially all the terms of a protective order to govern discovery in this action. The issues remaining in dispute are: (1) whether a limited number of respondents' in-house counsel will be permitted access to all discovery material; and (2) whether documents complaint counsel received during their pre-complaint investigation will be designated "Restricted Confidential, Attorney Eyes Only" or "Confidential."

1. Access by Respondents' In-House Counsel to Discovery Materials.

Complaint counsel propose that in-house counsel be denied access to discovery materials designated as "Restricted Confidential, Attorney Eyes Only."[1] Under complaint counsel's proposal, all documents produced during the pre-Complaint investigation would be tagged as "Restricted Confidential, Attorney Eyes Only" material, as would any documents so designated by entities that produce documents during discovery. Complaint counsel's position conflicts with well-established precedent, including a previous ruling by Judge Timony; unjustifiably denigrates in-house counsel's

[1] Complaint counsel's proposal is reflected in Paragraph 2(b) of its proposed order.

ability to comply with their ethical obligations; and is inconsistent with the Commission's rules that permit counsel access to in camera materials and place the burden on producing third parties to object to disclosure. Ultimately, complaint counsel's position serves only to lend credence to the purported concern of third parties that this Court will be unable to enforce and police compliance with its Order.

Courts regularly permit in-house counsel access to confidential discovery material, recognizing that allowing access only to outside counsel rests on an arbitrary and untenable distinction. See U.S. Steel Corp. v. United States, 730 F.2d 1465, 1468 (Fed. Cir. 1984); see also Brown Bag Software v. Symantec Corp., 960 F.2d 1465, 1470 (9th Cir. 1992). Rather than drawing capricious lines between in-house and outside counsel, courts consider whether the particular in-house counsel is engaged in the type of "competitive decisionmaking" that would involve use of the confidential information.[2] Where in-house counsel is not involved in making competitive strategy, pricing, product design, or marketing decisions, there is no heightened risk of inadvertent disclosure to justify denying access. See U.S. Steel, 730 F.2d at 1468-69.[3]

Courts also take into account the prejudice a party will suffer in its trial

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[2] "Competitive decisionmaking" was defined by the court in U.S. Steel Corp. v. United States as a "shorthand for a counsel's activities, association, and relationship with a client that are such as to involve counsel's advice and participation in any or all of the client's decisions (pricing, product design, etc.) made in light of similar or corresponding information about a competitor." 730 F.2d at 1468 n. 3; see also Brown Bag Software v. Symantec Corp., 960 F.2d 1465, 1470 (9th Cir. 1992); Matsushita Electric Indus. Co. v. United States, 929 F.2d 1577, 1579 (Fed. Cir. 1991); Glaxo Inc. v. Genpharm Pharmaceuticals, Inc., 796 F. Supp. 872, 874 (E.D.N.C. 1992).

[3] Courts have held that in-house counsel are entitled to access to confidential documents where their primary responsibilities are legal in nature and they are not involved in strategy, pricing or marketing decisions. See, e.g., Matsushita Electrical Indus. Co. v. United States, 929 F.2d 1577, 1579-80; Volvo Penta of the Americas, Inc. v. Brunswick Corp., 187 F.R.D. 240, 243 (E.D. Va. 1999); Amgen, Inc. v. Elanex Pharmaceuticals,

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preparation if its in-house counsel are denied access to relevant information. See U.S. Steel, 730 F.2d at 1468; Sullivan Marketing, Inc. v. Valassis Communications, Inc., No. 93 CIV 6350, 1994 WL 177795, at *2 (S.D.N.Y. 1994). Participation by in-house counsel is often essential to allow them to supervise and evaluate the case. See Amgen, Inc. v. Elanex Pharmaceuticals, Inc., 160 F.R.D. 134, 139 (W.D. Wash. 1994). In-house counsel are often the most familiar with the intimate details of the case, and their input on tactical decisions is especially needed when, as here, the case involves complex issues. See Volvo Penta of the Americas, Inc. v. Brunswick Corp., 187 F.R.D. 240, 242-43 (E.D. Va. 1999).

Another factor courts consider is that like retained counsel, in-house counsel are officers of the court and are bound by the same Code of Professional Responsibility and subject to the same sanctions. See U.S. Steel, 730 F.2d at 1468. There is no basis for believing that in-house counsel will be any less vigilant than outside counsel in complying with their ethical obligations.

Finally, complaint counsel point to purported concerns of third parties and to the Commission's need to insure cooperation from third parties in future investigations. These concerns have no place in this proceeding. Rather than permitting complaint counsel to assert a blanket objection to in-house counsel access on the basis of purported concerns by unidentified third parties, those parties should be permitted to object to the disclosure of specific, identified information.

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Inc., 160 F.R.D. 134, 139 (W.D. Wash. 1994); Glaxo Inc. v. Genpharm Pharmaceuticals, Inc., 796 F. Supp. 872, 874 (E.D.N.C. 1992).

Judge Timony took all of these factors into consideration in holding that in-house counsel should be permitted access to confidential discovery information. See In re Abbott Labs., Dckt. No. 9253, 1992 WL 688055 (Sept. 22, 1992) (granting in-house counsel access to confidential information and placing the burden on producing third party to show competitive harm) (copy attached as Exhibit A); see also Rule 3.45 of FTC's Rule of Practice (allowing "counsel" to have access to in camera materials and requiring applicant for in camera treatment to show that disclosure will result in serious injury). For all the reasons Judge Timony permitted in-house counsel access, access should be permitted in this case.[4] None of the limited number of in-house counsel for whom respondents seek access is involved in the type of "competitive decisionmaking" that might warrant a denial of access.[5]

2. Designation of Pre-Complaint Discovery Materials as "Restricted Confidential, Attorney Eyes Only" or "Confidential."

Complaint counsel propose (in Paragraph 3) to designate all materials produced during their pre-complaint investigation as "Restricted Confidential, Attorney Eyes Only." Respondents believe that this is inconsistent with the Commission's rules, and that these materials should instead be designated "Confidential." Under respondents' proposal, third parties that produced documents during the investigation would be given an opportunity to object to the "confidential" designation. Respondents' proposed

[4] Likewise, just as Judge Timony permitted access by more than two in-house counsel, AHP requests, as reflected in Paragraph 5 of the enclosed Order, that five of its in-house counsel be permitted access, including Louis L. Hoynes, Jr., Executive Vice President and General Counsel; Lawrence Stein, Vice President and Deputy General Counsel; Egon Berg, Vice President and Associate General Counsel; Elliot Feinberg, Assistant General Counsel, Antitrust; Larry Alaburda, Litigation Patents and Trademarks Counsel.

[5] Those counsel will submit affidavits so stating if the Court requires.

provision is consistent with Judge Timony's ruling in Abbott Labs and with the Commission's rules that require a showing of specific injury before materials will be designated in camera.[6]

Dated: May 7, 2001

Respectfully submitted,

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[6] If necessary, respondents will agree that pre-complaint discovery materials will be withheld from in-house counsel for the period of 30 days in which third parties are permitted to appear to object to disclosure and pending this Court's rulings on those objections.

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Citation
1992 WL 688055 (F.T.C.)

Found Document

Rank(R) 1 of 1

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In the Matter of
ABBOTT LABORATORIES, a corporation
Docket No. 9253
DATE: September 22, 1992

IN-HOUSE COUNSEL IN PROTECTIVE ORDER

The parties agree to a protective order entered this day but object to the inclusion of Lael F. Johnson, Abbott's General Counsel, in paragraph 5(c) as an attorney to whom confidential material may be disclosed. Mr. Johnson is the senior legal officer of Abbott. He will shortly file his formal appearance as an additional counsel of record for Abbott in this case. [FN1] He does not have business decision-making responsibility. He gives legal advice or recommendations. The protective order provides that all respondent's counsel will use any confidential material "only for the purpose for this proceeding ... and for no other purpose whatsoever."

All documents gathered in the precomplaint investigation in this case are treated as "confidential." If there is a particular document which a producing party feels should not be disclosed to a counsel of record representing respondent, Rule 3.31(c) permits a motion to limit disclosure of specific information. [FN2]

Complaint counsel argue that Mr. Johnson has "played a major role in the conduct that forms the basis for the complaint allegations that respondent entered into an agreement with its competitors not to advertise and agreed to exchange marketing information." They predict that it is likely that he will be a deponent or witness in this matter.

The question, then, is whether one of several in-house counsel for respondent, who plays a central part in the defense of the case and who is likely to give evidence at trial, should be excluded from access to confidential documents obtained under a protective order, in absence of a showing of necessity as to each specific document.

The federal court cases on this general issue are mixed. In U.S. Steel Corp. v. United States, 730 F.2d 1465, 1469 (Fed.Cir.1984), the Federal Circuit found error in denying in-house counsel access to confidential data, observing that "status as in-house counsel cannot alone create that probability of serious risk to confidentiality and cannot serve as the sole basis for denial of access." But the D.C.Circuit in FTC v. Exxon Corp., 636 F.2d 1336, 1350 (D.C.Cir.1980), upheld the general denial of access of in-house counsel to competitively sensitive information, stating that:

> [I]n-house counsel stand in a unique relationship to the corporation in which they are employed. Although in-house counsel serve as legal advocates and advisors for their clients, their continuing employment often intimately involves them in the management and operation of the corporation of which they are a part.

And, in SCM v. Xerox Corp., 573 F.2d 1300 (2d. Cir.1977) the court quoted District Judge Newman denying in-house counsel access to confidential information of a competitor:

> The Court does not in any way doubt the faithfulness of house counsel in endeavoring to abide by the terms of any protective order. The issue concerns not good faith but risk of inadvertent disclosure. House counsel are employed

full-time to advance the interests of their employer. They regularly meet with personnel of the corporation on day-to-day matters, wholly apart from this litigation.

In cases adjudicated at the Federal Trade Commission, however, Rule 3.45(a) provides that even as to documents made subject to in camera orders, "respondents, their counsel, authorized Commission personnel, and court personnel concerned with judicial review shall have access thereto." Successfully relying on this rule, a respondent in College Football Association, FTC Docket 9242, order denying reconsideration, dated February 7, 1991, offered a showing of necessity for its Executive Director, Charles Neinas, generally to see confidential documents obtained under a discovery protective order:

> Trial counsel for CFA argues that Mr. Neinas' help is needed now to prepare a defense; that CFA is a small organization and Mr. Neinas has been involved in it from its inception; and that he understands the markets and the facts. Counsel characterizes Mr. Neinas as "the ultimate expert in the area of marketing college football." Counsel argues that Mr. Neinas is likely to testify for CFA as an expert witness, and that: "He has a unique historical perspective and in prior litigation has proven invaluable in analyzing evidence, keeping counsel on track factually and saving immeasurable time."
>
> Moreover, the protective order does not provide to Mr. Neinas the immediate disclosure of the thousands of documents already marked confidential and produced in discovery. The third party who produced the material is permitted to object to the disclosure of any particular material that it believes should not be disclosed to him. Protective Order, paragraphs 7(b) and 9(d). Since the information came from the third parties, the burden of showing competitive harm should be on them rather than requiring respondent CFA to show the lack thereof. [FN3]

If the Commission rule provides that respondent and its counsel have the general right of access to documents covered by an in camera order with its more difficult standard, [FN4] why should respondent's in-house counsel be denied general access of discovery documents covered by a pretrial protective order granted as a matter of course? Furthermore, College Football Association shows that the fact that Mr. Johnson will be called as an important witness at trial supports his general access to confidential discovery documents gathered under the protective order. Respondent is entitled to have Mr. Johnson, an attorney at the center of its defense, provided with documents obtained under the protective order unless third parties--who would best know--successfully indicate the competitive harm which would result in his seeing specific documents. Moreover, unlike the officer in College Football Association, Mr. Johnson is subject to the professional obligations all attorneys are under due to their status. Boehringer Ingelheim Pharmaceuticals, Inc. v. Hercon Labs. Corp., 18 USPQ2d 1166, 1168 (D.Del.1990).

Respondent has made a prima facie, rebuttal showing of necessity for Mr. Johnson seeing the documents obtained under the protective order. Complaint counsel's motion to exclude Mr. Johnson from the protective order is therefore denied.

James P. Timony
Administrative Law Judge
Date: September 22, 1992

FN1. Respondent already has three in-house counsel of record in this case.

1992 WL 688055 (F.T.C.)

FN2. General Foods Corp., 95 F.T.C. 306 (1980), provided protection from respondent's house counsel to a competitor's future marketing plans.

FN3. The applicant for in camera treatment of specific information under Rule 3.45 must show that disclosure will result in "clearly defined, serious injury to the person or corporation whose records are involved." H.P. Hood & Sons, Inc., 58 F.T.C. 1184, 1188 (1961); Bristol-Myers Co., 90 F.T.C. 455, 456-57 (1977).

FN4. Ibid.
FTC
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BEFORE FEDERAL TRADE COMMISSION

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Schering-Plough Corporation, a corporation,	)	Docket No. 9297
Upsher-Smith Laboratories, a corporation,	)	
and	)	
American Home Products Corporation, a corporation.	)	

CERTIFICATE OF SERVICE

I, Emily M. Pasquinelli, hereby certify that on May 7, 2001, I caused a true and correct copy of the *Respondents' Memorandum in Support of Proposed Protective Order* to be served upon the following persons by hand delivery or Federal Express:

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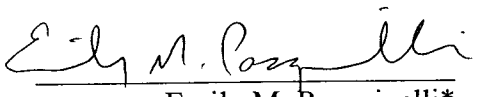

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